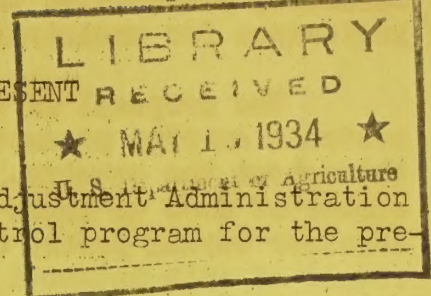


April 23, 1934

DAIRY PRODUCTION CONTROL WILL  
NOT BE ATTEMPTED FOR THE PRESENT



will not undertake a benefit payment dairy production control program for the present at least.

The decision is in accord with the Administration's fixed policy to attempt no adjustment program which does not have support of a substantial majority of those engaged in the industry. The facilities of the Adjustment Act, enabling the Administration to assist farmers in making necessary adjustments in production with the help of benefit payments financed by processing taxes, were offered producers in a series of 15 regional conferences. The decision follows close study of the reports of these conferences.

In every case when an adjustment program, providing for benefit payments to producers, was presented the cotton, wheat, tobacco and corn and hog industries, leaders were largely united in giving their support.

In the case of the dairy industry particularly, the broad scope of the adjustment program would depend for substantial success upon active support by a decided majority. Opposition under centralized leadership developed before the proposed program was taken to the farmers for discussion in the regional conferences. Since it was apparent that the dairy industry as a whole is not agreed upon acceptance of the proposed program or any other plan of production adjustment, the Administration feels it should not undertake dairy production control until such a time as the dairy industry is substantially agreed upon production adjustment.

In the light of testimony at the regional conferences, the position of the Agricultural Adjustment Administration can be defined on the following points:

1. The scope of assistance available to the dairy industry, at least for the present, is narrowed to include only reduction in number of diseased cattle and some dairy purchases for relief purposes. The Administration will undertake both these measures with such funds as are made available by Congress. Disease eradication is regarded by the Administration as an important social welfare and efficiency measure which, however, is of comparatively minor effectiveness in production control.
2. Any adjustment program to be undertaken by the Administration must be for the dairy industry as a whole, must be voluntary, and must not discriminate between groups of producers.
3. Under the law, processing taxes can not be levied unless and until a decision is made to pay benefit payments to individual farmers to compensate them for cooperation in production control, as provided in all other agricultural adjustment programs.
4. Experience has shown that large scale stabilization and price-fixing operations when undertaken for temporary benefit and without support by adequate control over production generally result in increasing production and end up in a relapse in prices. Hence, such large scale stabilization operations are not included in the Administration's plans. Government purchases will be primarily for relief needs, and will be confined to those requirements.

The regional conferences at which the proposed program was discussed disclosed that fluid milk producers operating within the milk sheds blame their price difficulties largely upon surplus production from outside; while producers outside the milk sheds complain that restricted consumption and surplus supplies from within the fluid milk areas contribute to the greater quantity and lower price of butter and other manufactured products. A number of spokesmen for each of these two groups

advocated restriction of surplus production for the other group, while asserting preference for uncontrolled production for themselves.

The proposal of the Administration to assist both groups of producers to restrain surplus production has aroused widespread interest among leading farmers throughout the country. This interest has been stimulated by the fact that the number of cows on farms is about 18 per cent greater than in 1928 near the height of consumer buying power, and cow numbers are believed to be still increasing. As a result of this interest, a number of local conferences have been held by producers since the regional meetings for further study of the situation. The primary interest of farmers in fair prices reflecting a balanced supply, as contrasted with the handlers' primary interest in volume, has been brought out in these conferences.

Various substitute plans offered by dairy spokesmen in the regional conferences are outside the authority of the Agricultural Adjustment Act and could not be attempted in the near future except in the unlikely event of prompt enactment of new legislation. The Administration program was the only proposal offering benefit payments to all dairy farmers which was submitted in any of the 15 conferences.

Some opposition to the Administration program developed because many producers do not yet understand that all proceeds of processing taxes are paid to cooperating farmers, and that in the case of the dairy industry the tax could be so applied that with a proper adjustment in production the producer would pay little or none of it. In one instance, an equalization fee was proposed as an alternative to the tax, although unless accompanied by effective control of production the entire equalization fee would be paid by the farmer without the consumer paying any share as he would in the case of a processing tax backed by control of supply.

The dairy control program proposed by the Administration was designed to be national in character, and of benefit both to fluid milk producers within the milk sheds and to farmers in the outside areas. In the Administration's opinion, lack of production control is likely to increase the pressure of outside milk on the city milk markets, to decrease the effectiveness of city milk marketing agreements and licenses, and to increase the contribution of fluid milk sheds to supplies used for manufactured dairy products. The Administration will continue to employ milk marketing agreements and licenses, however, for the benefit of fluid milk producers.

Opposition to the Administration plan came from the National Cooperative Milk Producers' Federation, from several state and regional affiliates of that organization, from numerous producer-distributors, from processors, commercial distributors, representatives of some state milk control boards, some regional dairy councils, from officers of some dairy breed associations, and in a few cases from units of general farm organizations, and a few state commissioners of agriculture. Support for the Administration proposal came from a number of state dairymen's associations, various emergency dairy committees, county producers' associations, a few state commissioners of agriculture, several state branches of general farm organizations, a few cattle breed associations, and some local milk cooperatives.

A large number of individual producers appeared both in support of and in opposition to the proposed program. Some objection was encountered in the conferences from consumers opposing higher prices for milk, but it was pointed out that consumers stand to benefit only temporarily from uncontrolled supply because of the tendency of low prices to drive out dairymen, to create cycles of milk shortage, and to lower quality standards. Opinion expressed in the conferences ranged from contentions that nothing can be done and that the amount the consumer will pay for dairy products is definitely fixed, to contentions that the whole surplus problem could be solved by an advertising campaign.

The Administration did not attempt to obtain votes on the program at any of the regional meetings, although in several cases votes were instituted in response to wishes expressed from the floor. Records were taken of the remarks made by various speakers. A summary of the general attitudes as expressed by speakers shows that largely unfavorable opinion was indicated at Syracuse, Philadelphia, and Atlanta. Speakers largely favorable were heard at Indianapolis, Des Moines, Memphis, Dallas, Denver and Portland. Those with mixed sentiment and clearly divided opinions were found at Madison, St. Paul, Kansas City, Boston, Salt Lake, and Berkeley.

In view of nationwide interest, the Agricultural Adjustment Administration will continue its efforts to supply dairymen with all available information concerning the situation confronting the industry, will carry on its survey looking toward increasing the consumption of milk, will expand its educational efforts on behalf of less intensive feeding methods, and will institute the disease eradication and relief purchase measures provided for by Congress.

The dairy section of the Administration will continue to devote careful study to the problems facing the industry, and will be prepared to initiate a production control program which may seem practicable and of wide value should it become evident that the dairy industry as a whole is agreed upon such a program.

